



## THE PRINCE OF WALES'S

UK CORPORATE LEADERS GROUP ON CLIMATE CHANGE  
UNIVERSITY OF CAMBRIDGE PROGRAMME FOR SUSTAINABILITY LEADERSHIP

The Right Honourable George Osborne MP  
Chancellor of the Exchequer  
11 Downing Street  
London  
SW1A 2AA

8<sup>th</sup> March 2012

Dear Chancellor

As you prepare your second full Budget statement, we write to urge you to ensure that the UK remains firmly on the path to becoming a sustainable, low-carbon economy. The members of The Prince of Wales's Corporate Leaders on Climate Change have consistently made the case that action on climate change is both a necessity and a source of economic opportunity. Certainty on Government intentions combined with the right policy framework is vital to allow business and industry to make low-carbon investment decisions with confidence, and to help us deliver attractive low-carbon products and services to consumers. We hope that this year's Budget will clearly support such certainty.

We are clear that the main elements of UK climate policy – most notably the Climate Change Act and EU-wide policies such as the EU Emissions Trading System – are welcome. We support a strong regulatory framework on climate change, although there are opportunities to cut double regulation and simplify administration which the Budget could address. In particular, the Carbon Reduction Commitment is overly complex and burdensome, and the required revenue could instead be collected through carbon taxation, which would be simpler for businesses and more economically efficient.

As you have noted, we need international action to deliver a lasting solution to climate change and recent progress in international negotiations offers the prospect of a global framework to tackle climate change from 2020. The UK must continue to work to secure such an agreement. As part of this, the UK should work closely with its European partners to strengthen the EU Emissions Trading Scheme (EU ETS), which is essential for Europe to reduce greenhouse gas emissions in the most cost-effective and flexible way. It is also a global flagship for emissions trading. However, the economic crisis has significantly impacted the effectiveness of the EU ETS as shown by today's low carbon price. The UK carbon price floor introduced in last year's Budget aims to provide a clear economic signal to investors in the UK, but action is needed across Europe. We ask you to press your counterparts in Europe to act to reduce availability of allowances in order to increase the carbon price, including considering proposals to set aside allowances in Phase III of the ETS. This should remain a priority for the UK's discussions with its European partners.

The low carbon-price reduces the funding available for the vital new technology projects that must move forward if we are to tackle climate change and develop a low-carbon economy. We urge you



to use the Budget Statement to confirm your commitment to encouraging investment in a low-carbon future. The Budget should make clear that the funding committed for the Carbon Capture and Storage demonstration remains in place for deployment in as short a time scale as possible. Similarly, the Green Deal has immense potential to deliver carbon savings and to engage consumers in the move to a low-carbon economy, but it needs to have secure initial financing if it is to launch successfully later this year. The Green Investment Bank also needs to be established with the capability to leverage funds for low-carbon investment, including early capacity to borrow.

We are committed to publicly supporting effective action on climate change, and will work to help ensure that the UK is able to continue to move forward on this agenda. In particular we recognise key opportunities in ensuring the UK has the skills, technologies and investment framework to build future low-carbon growth. We look to you and your government to keep your promises in this area and capitalise on the real opportunities offered for green growth and sustainable development.

Yours sincerely

**Jean-Michel Aubertin**

Chief Executive Officer, Doosan Power Systems

**Martin Baggs**

Chief Executive Officer, Thames Water

**Neil Carson**

Chief Executive Officer, Johnson Matthey

**Ian Cheshire**

Chief Executive Officer, Kingfisher

**John Maltby**

Group Director, Lloyds Banking Group

**Graham McWilliam**

Group Director of Corporate Affairs, BSkyB

**Gavin Neath**

Senior Vice President Sustainability, Unilever

**Lucy Neville-Rolfe**

Executive Director, Tesco

**Peter Simpson**

Managing Director, Anglian Water

**Paul Spence**

Director of Strategy and Corporate Affairs, EDF Energy

**Graham van't Hoff**

Chairman, Shell UK

